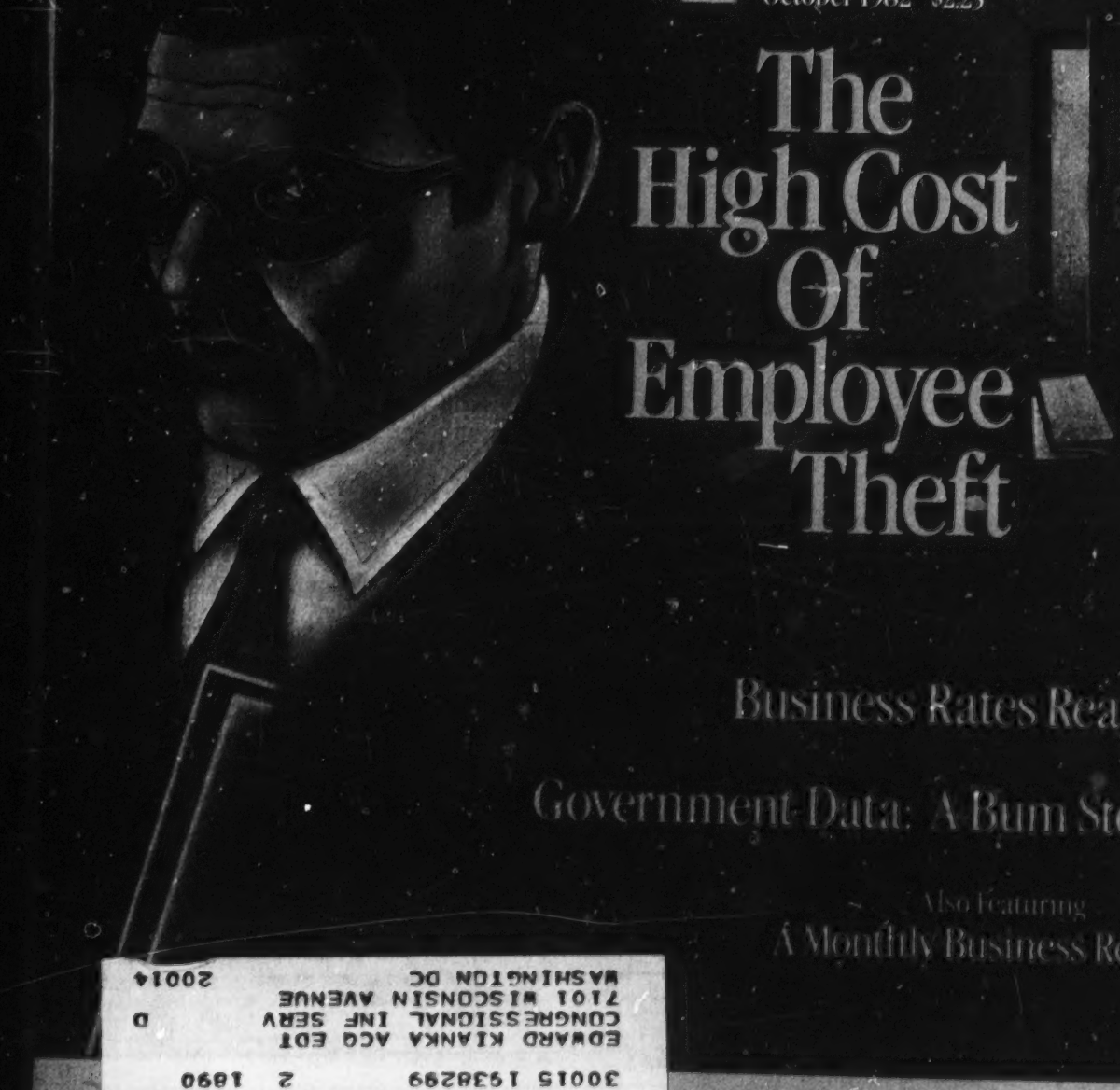
C8650-5 10/13/82

Meaningless Mergers

DUN'S BUSINESS MONTH

October 1982 $2.25



The High Cost Of Employee Theft

Business Rates Reagan

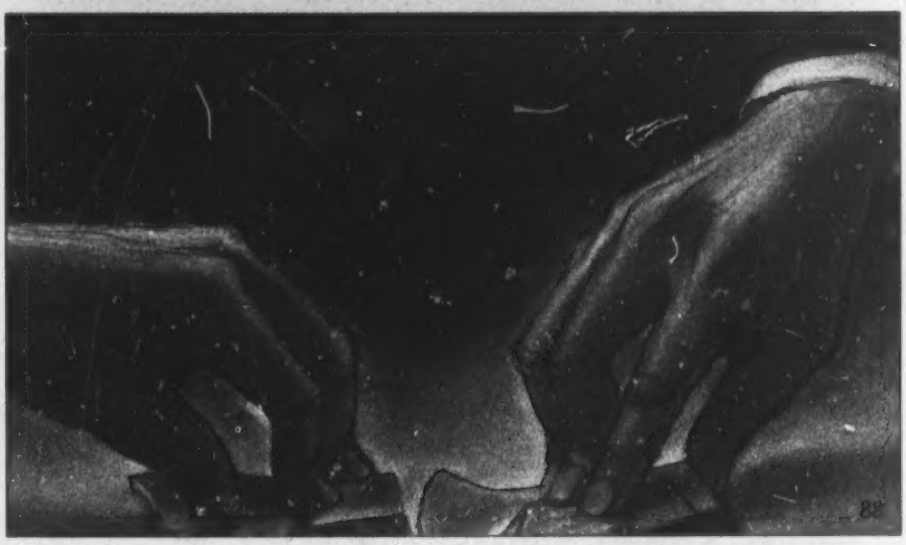
Government Data: A Bum Steer?

Also Featuring
A Monthly Business Recap

EDWARD KIANKA ACQ EDT
CONGRESSIONAL INF SERV D
7101 WISCONSIN AVENUE
WASHINGTON DC 20014

30015 1938299 2 1890

Feature Departments



WASHINGTON

The Liberals Fight Back 40

Determined to stem the conservative tide, liberals are readying a well-financed assault in November.

- **What's Next on Reagan's Agenda?**

ECONOMY

A Bum (Numbers) Steer From the Government 48

Giving poor marks to the quality of key federal statistics, economists warn that budget cuts may result in even less reliable numbers.

- **Arnold R. Weber: Labor's Still Formidable Clout**

MANAGEMENT

Business Rates Reagan 56

Despite the weak economy, the Presidents' Panel is almost solidly behind the President and his policies.

- **The 'Open Window' To Early Retirement**

DUN'S BUSINESS MONTH

October 1982, Vol. 120, No. 4

MONEY & MARKETS

he Scramble 64
or Money-Fund
oney
ith interest rates down, e money funds fear at $50 billion may be vested elsewhere. But here else?

he High Cost of 66
mployee Theft
(over Story)
is a major cause of siness failures. But the al crime is that corpo- te victims make it so sy.

MARKETING

V Ads 81
o Satellite
o beam their commer- als to the stations, more nd more advertisers are oking to the skies—and lairsat.

COMPANIES

o Mergers 88
lake Sense?
perts contend that any a merger is poorly anned, overpriced and ldom achieves its jectives.

Keefe, Bruyette:
Banking Specialists

INTERNATIONAL

Europe 96
Fights Back
Fuming over the Reagan Administration's ban on Soviet pipeline equipment, Western Europeans claim good reasons for defying the U.S.

EXECUTIVE SUITE

"I Was Fired!" 101
Terminated without cause, a top executive tells how he triumphed at the exit interview.

Letters 8
Rule 415

The Managers 144
A gallery of the month's newsmaking executives

BizQuiz 149
Busiest airports

Surveys & 151
Studies
Executive perks and power

Personal Finance 153
- *New withholding rules*
- *Tax boost for universal life*
- *Time to buy tax-exempts*

The Business Month

WASHINGTON

Election outlook 13
Cracks in Reagan's coalition
Farm export subsidies?

ECONOMY

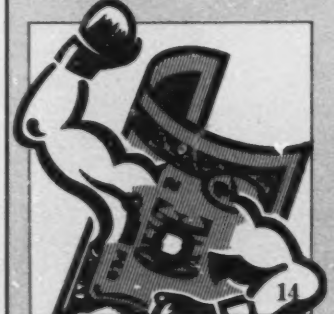
Recovery when? 14
Doughty dollar

INTERNATIONAL

IMF's credit crisis 15
Britain eyes the "Delaware Link"
Swiss bank account pact
France's about-face
Hong Kong jitters
Poland's deferred debt
Europe's new fighter

MONEY & MARKETS

Boom in bond issues 23
Salomon Brothers' shocker
Animal house bonds



COMPANIES

The Allied-Bendix Maneuver 29
Manville's bankruptcy ploy
IBM-Intel chip deal
Cities Service's clincher
Space Services' lift-off
Carnation's health stores
Hewlett-Packard's computer

MANAGEMENT

Tough pension law 32
Braniff pension battle

INDUSTRIES

Mammoth rail merger 37
Time's TV magazine

MARKETING

Canon's copier 37
Mattel's electronic traps

COMMUNICATIONS

CBS cable cancelled 38

ENVIRONMENT

Ruling on emissions rules 38

FLEET MANAGEMENT UPDATE

How management and manufacturers rein in car and truck operating costs

Controlling the rapidly rising costs of transporting people, as well as the products they sell and service, might be likened to slowing a runaway freight car by using an antiquated handbrake. It's slow to take effect, for sure, but eventually it *will* slow the car down and bring it to a halt.

Such is the situation with fleet managers and the manufacturers of cars and trucks: The brakes have been applied by the latter, in the form of more fuel-efficient vehicles; and by the former through implementing tighter operating procedures and hastening the integration of state-of-the-art vehicles into their fleets.

Nobody expects a screeching halt to cost increases, of course, but the brakes *are* biting into the wheels, and there are signs of progress. For example, Peterson, Howell & Heather, a respected fleet management/leasing firm, notes that while the 1980 cost to operate a company car rose 11% over 1979, the 1981 cost only went up 1%, and the company predicts a similar minimal increase this year.

That is, the typical company car will have cost 16.8¢ per mile to operate, versus 16.67¢ last year, another mere 1% increase. Further, used fleet cars have become very desirable and now return 52% of their original cost against 43% five years ago.

In this, the year of the so-called "oil glut," it's also a sign that fleet administrators haven't been seduced by the relative stability and low prices of gasoline, but have continued their vehicle downsizing programs. But, while there is no apparent move back to larger cars, the response to the new 4-cylinder, front-wheel drive compacts hasn't been as rapid as Detroit would like.

"We thought it would be like switching on a light", remarked one industry spokesman in a tone of confusion, "but it didn't quite work out that way with the '82 models. Two years ago we'd have thought a car like the Malibu (a 4-door intermediate, which will finally be discontinued by Chevrolet for the 1983 model year) would be long gone; but two years ago we didn't forsee gas at $1.20 a gallon. But there's no turning away from fuel-efficiency, and buyers are finally getting off the fence."

They'll more or less have to, because by 1986, more than 60% of Detroit's production will be 4-cylinder compacts. In addition, Federal legislation still calls for CAFE (Corporate Average Fuel Economy) of 27 m.p.g. by 1984, and there's simply no way that's going to happen with large automobiles.

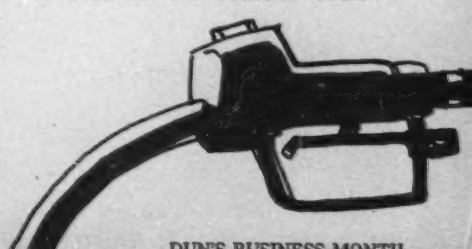
In the trucking area—aside from the resounding success of U.S.-made fuel-efficient lightweights—the market is still soft-to-mushy. Heavy truck owning and operating costs rose 15% in 1981 alone, which may be partially due to the fact that older, less efficient vehicles—with attendant high maintenance costs—are being held much longer than usual.

But, as an industry sage notes, trucks *do* wear out and since goods have to move to the marketplace, the picture is bound to improve with the purchase and introduction by fleets of more cost-effective vehicles in the medium to heavy-duty range.

Yet, whether one considers cars or trucks, fleet vehicles still tend to occupy a "shadow area", scattered as they are and not so visible as, let's say, a new computer or plant. But the effect of a fleet's proper, or improper, operation is quite visible on the company's bottom line. Hence the reason for this Focus report: "Fleet Management Update/83", which supplements the 1981 auto fleet report.

Again, we are emphasizing the role of the key person in this asset management team, the fleet administrator. For, in his or her case, the old adage, "a penny saved . . ." could never be more apropos. That penny per mile saved over a 60,000-mile life can save a 1,000-car fleet $600,000 per year. Put *that* on your bottom line!

In this 1983 model year update, we've included an overview of trucking trends, and the measures being taken to reduce operating costs. Although most of the report deals with cars, a future DUN'S BUSINESS MONTH Focus Report will concentrate entirely on cost-effective trucking operations. For now, we'll begin, logically, "in the trenches" with the fleet administrator.



Fleet Administrators Standing Firm

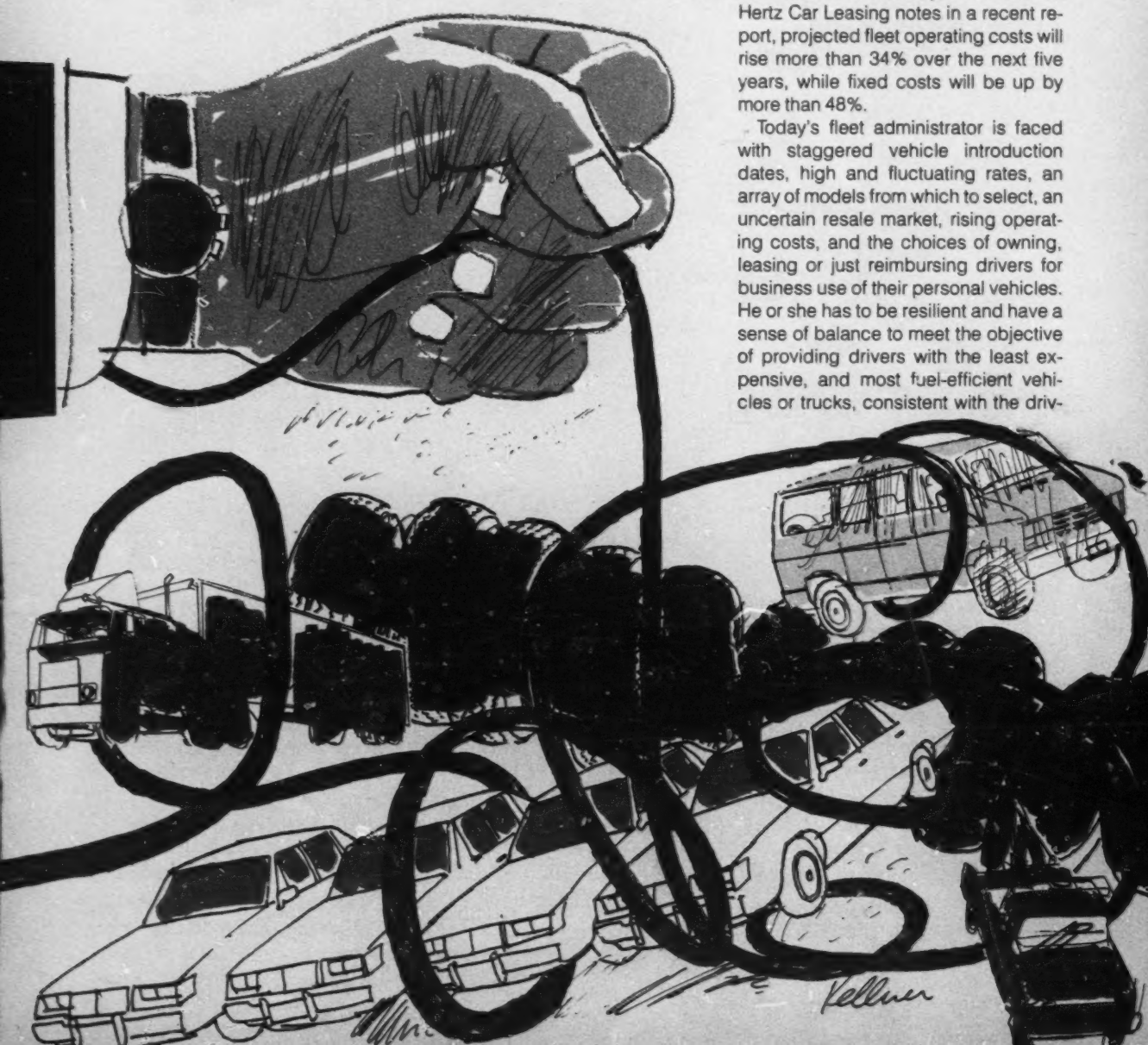
Time was, and not so long ago, that the typical fleet manager was looked upon as a desk-bound "bean-counter" at the home office, whose sole mission in life was to harass some road-weary sales rep about getting expense reports in on time or changing the oil. Human nature being what it is, some salesmen may still think of fleet management in unkind terms. Especially if their big, comfortable gas-guzzlers were replaced by smaller, fuel-efficient compacts or mid-size cars, with less perceived prestige. All that, and they are *still* made to struggle with filling in expense reports.

As to the possible return to larger cars during the current gas glut, it's simply not going to happen. Says NAFA' executive director, Bob Berke, "The real fleet pros know that it's just a temporary situation, and they're going to stay on course." His opinion is backed by a Runzheimer survey wherein *not one* fleet administrator responded positively when asked, "Will the current oil glut and lower gas prices affect your new car purchase plans?"

Counting the opinions about fleet administrators that mean the most, top management has come to recognize, and respect, the contributions that a professional, sophisticated fleet administrator can make to the bottom line. How? By "bean-counting" more accurately than ever, with the real-time help of computers, by correct acquisition and timely disposal, and by controlling or reducing costs wherever possible, thus pushing savings directly to the bottom line.

There will be a lot of beans to count in the future, incidentally, because as Hertz Car Leasing notes in a recent report, projected fleet operating costs will rise more than 34% over the next five years, while fixed costs will be up by more than 48%.

Today's fleet administrator is faced with staggered vehicle introduction dates, high and fluctuating rates, an array of models from which to select, an uncertain resale market, rising operating costs, and the choices of owning, leasing or just reimbursing drivers for business use of their personal vehicles. He or she has to be resilient and have a sense of balance to meet the objective of providing drivers with the least expensive, and most fuel-efficient vehicles or trucks, consistent with the driv-



er's duties, morale and company image. Easier said than done.

When to buy? What to buy? When to sell? How to sell? Which optional equipment? The correct decisions are more critical than ever, because at a lifecycle cost projection (computed by Peterson, Howell & Heather) of $404.14 per month for a typical 1983 intermediate car, we're talking about $202,070 *per month* for just a 500-car fleet. But if a fleet administrator downsizes to a compact at $363.88 per month, the total cost drops to $181,940 per month for an annual saving of $241,560. What could be simpler? Let's downsize, you say. *But* are compacts right for the territory? Will they hold up? What's the potential resale? What about morale? You get the idea.

The fleet administrator needs all the help he or she can get, first from company management, especially financial, secondly, if necessary, from outside management/leasing firms that have the computer-based data necessary to track vehicle costs and make timely decisions based on correct interpretation of the data. It certainly beats "gut" feelings.

As NAFA's Bob Berke advises, "Management has to remember that the fleet administrator is *not* just buying cars; if the person assigned is doing the job properly, he or she is administering a program; that's the key." To that end, and reflecting the growing importance of fleet administrators, the prestigious Wharton School of Business will offer a series of courses in cooperation with NAFA, leading to Certified Fleet Manager degrees. Who'd have thought?

For readers who may be uncertain as to the precise nature of the fleet administrator function, an excerpt from an actual job description provided by a large, blue-chip corporation with 2,000 vehicles is reprinted as a guide. Granted, there are many variations, but it's an excellent start.

Function: To develop, recommend and/or institute policies, procedures and controls which provide a framework for effective administration of the (company) fleet, its procurement, periodic replacement and economic operation. Also, administers the automobile tire program. This position requires a knowledge and understanding of basic technical aspects of automobile procurement, operations and disposition. *The nature of the position and changing conditions place a premium on the qualities of initiative, flexibility and adaptability.*

Recommendations to Management:

- On timing, type and number of vehicles to be procured.
- Manner of procurement after study of leasing vs buying.
- Use of alternate methods of vehicle disposal.

Within General Guidelines:

- Control expenditures against annual capital program for vehicle replacement.
- Initiate and modify comprehensive procedures and guidelines for headquarters and field units.
- Review dealer chargebacks to establish validity. Reject or negotiate where applicable.
- Select dealers in the issuance of bids and purchase orders.
- Review makes and models, performance and resale values as a basis for recommendation on future replacement.
- Initiate transfer and sale of surplus vehicles in a manner which minimizes non-operating expenses.
- Determine whether vehicles involved in accidents should be repaired or disposed of as unsafe to drive.

Principal Accountabilities:

1. Initial accountability, subject to overall management approval, of timing, type and number of vehicles to be procured and sold.
2. Initiation of studies and recommendations with the objective of maximum vehicle performance and service while maintaining minimum operating expense.

The whole point is, no company—even one with a small fleet—can afford any more to entrust a mere clerk to do a full-fledged fleet administrator's job. It simply doesn't pay, and can adversely affect your profits.

Truck Fleets Fighting to Contain Costs

The same cost factors that affect automobile fleets have hit truck fleets—hard. Increasing costs, combined with recessionary downturns in the production and distribution of goods and services, have had a powerful impact on many truck fleets. The fall-off in business activity, particularly in sales and customer deliveries in many industries, has been reflected in fleet activity, with consequent reductions in fleet sizes.

Besides acquiring fewer new trucks, some fleet operators have mothballed, or otherwise disposed of, unused or underused trucks. Whenever the need arises, some operators supplement their reduced truck fleets by using common and/or private contract carriers or by using short-term rentals. Others have entered into pool arrangements with other companies to compensate for their truck shortages. In order to make the most efficient use of the fewer vehicles in today's truck fleets, techniques such as load consolidation, more efficient routing and tighter, more realistic scheduling are increasingly being called into play.

As with auto fleet administrators, truck fleet managers have adopted stringent cost control as their prime priority. The cost crunch has also caused corporate financial officers to take more active roles in the establishment of fleet policies and the administration of fleet operations. As a Ford Motor Company spokesman notes: "Twenty years ago, it was the maintenance supervisor who was in charge of a company's trucks, five years ago it may have been a VP—transportation; today, we have the VP-finance heavily involved, due to the sheer complexity and cost of running trucks.

GMC's 1983 "Aero Astro" cab-over heavy duty tractor saves fuel through aerodynamic streamlining—estimated at 2,600 gallons per 100,000 miles

In fact, it's getting more and more difficult for even the most sophisticated companies to run their own truck fleets—selecting the right piece of equip-

ment and keeping it well maintained and fully utilized." (Speaking of cost in more specific terms, a Hertz study shows that a typical new tractor-trailer will cost $411,700 to run for the next five years, *excluding* labor. Further, truck ownership and operating costs increased by 15% in 1981 alone.)

The explosion in truck fleet costs begins with the acquisition of new equipment—average new truck prices have doubled in the last ten years, fueled by a double-digit prime. Not surprisingly, many truck fleets have turned to leasing as a solution to the problems posed by financing and operating costs. The finance rates available from the larger leasing companies are *most* attractive to fleet operators—for instance the low 12% interest recently offered by Ryder Truck Leasing.

However, truck fleet managers are turning to outside leasing companies for *more* than attractive finance rates. Most of the larger leasing companies offer a broad range of services that truck fleet administrators find increasingly necessary for cost-effective fleet management. One of the more important services is consultation with the fleet operator to determine what new truck equipment is really necessary. The determination usually involves a comprehensive, computer-assisted analysis of the fleet's truck application needs and the efficiency of the fleet's current vehicles compared to new ones. Areas studied include fuel consumption, maintenance costs, amount of downtime, application efficiency, depreciation rates and disposal value.

This process has been significantly expanded by Leaseway Transportation of Cleveland to include more than just an analysis of fleet equipment and applications. A Leaseway subsidiary, called Logistics Resource, also appraises facility locations, mode mixes, consolidation procedures, lane balances, routing, scheduling and outside carriage. This is all done to determine the optimum size, operational policies and vehicle profile for a given fleet.

Once the many complexities have been ironed out and the need to acquire new truck equipment firmly established, an outside lessor—such as Leaseway—can provide another vital service, that of determining the proper "specs" for the best combination of vehicles and components to meet the fleet's specific requirements.

James T. Riley, GMC Truck & Coach Division's sales manager, cautions against overspecifying, noting, "Many times a person in charge of truck fleet selection and specification will become a bit overzealous in the process and have us 'build' more truck than really needed, using costly special equipment options. If they kept an open mind and took a closer look at what could be supplied more or less 'off the shelf' and used our regular production options (GMC has the widest range of trucks in the industry, with more than 1,000 permutations), they'd be getting more truck for their money."

In the heavy-duty, over-the-road category, virtually 100% of all Class 8 trucks (those over 33,000 lb. gross vehicle weight) are now diesel-powered for lower fuel costs. Fuel economy in line-haul trucks is being further improved by the use of new aerodynamic deflection devices, radial tires, and increased use of plastics, fiberglass and aluminum for truck and trailer body parts. For example, GMC has introduced for 1983 an aerodynamically designed HD 83 "Aero Astro" cab-over truck, that features a cabtop drag spoiler, cross wind deflectors and air dam. Attention to such simple, but often-over-looked details can save 2,600 gallons of fuel per 100,000 miles driven. In fact, just a rooftop spoiler can mean savings of up to 1,200 gallons.

Some of the innovations in large trucks are coming from the leasing companies themselves. Feld Truck Leasing of St. Louis, for example, has introduced what it calls HELP (Highway Economy Leadership Project), which uses International Harvester tractors, plus components from a dozen other manufacturers, to achieve improvements in rig m.p.g. performance of up to 29%. The technology used in these project vehicles includes sophisticated electronic speed and cruise controls, aerodynamic modifications, low-profile radial tires and synthetic lubricants.

In the mid-sized truck category, approximately half are currently diesel-powered, with 90% dieselization expected within seven years. The switch to diesels, combined with other technological advances, has virtually doubled fuel economy for medium-duty trucks. In fact, Detroit Diesel Allison, leader in the field, has compiled figures that project savings of more than $40,000 during a nine-year, 162,000-mile vehicle life, using its "Fuel Pincher" diesel. This includes maintenance savings over the life of the vehicle—in this case, a medium truck—as well as $1,500 added to the resale value of a diesel-equipped truck over a gas powered one.

In the light trucks grouping, diesels are not yet a significant factor, but even without dieselization, advancements in technology have brought about improvements in light truck fuel economy and life-cycles. Pickups, which averaged just 10.3 m.p.g. five years ago, now average 13.3 m.p.g., a 30% improvement. And pickup fleet life has increased some 7.5%, while van fleet life has climbed 16%.

The real impact of downsizing in

Taking the initiative: Feld Truck Leasing's "Operation HELP" test vehicle shows an average 18.5% fuel efficiency gain versus standard in-fleet units operated under similar conditions

truck fleets, however, can be seen in the growing numbers of mini-pickups. With ratings of up to 39 m.p.g., such minis as the Chevrolet S-10, Ford Ranger and the GMC S-15 (see Detroit review, this page) are proving to be cost-effective for light, local deliveries and service calls.

The minis offered by foreign manufacturers are also seeing fleet application, although the new American offerings and their rapid acceptance have pretty well squelched foreign efforts. (From January to July of this year, U.S.-produced light trucks accounted for 48.5% of sales, up from 8.1% for the same 1981 period.)

The ever-growing, and at times bewildering, array of new vehicles and components is making more fleet administrators dependent on their lessors to specify the combinations that are right for them. However, the most important service that leasing companies can provide truck fleet operators remains information acquisition and analysis. While many truck fleet operators can accumulate vast numbers of statistical reports, many fleets tend to be in the words of John H. Cambell, President of the Logistics Resources Division of Leaseway," . . . data rich, but information poor." The experienced lessor's ability to assemble the right information and to draw the correct conclusions can be invaluable.

In any event, despite the innovations and advances in truck equipment and the growing breadth and sophistication of truck leasing company services, the recessionary economic climate has limited the acquisition of new fleet trucks, whether through purchase or lease, and caused many fleets to be resized downwards. Yet, those same recessionary forces have been prime factors in motivating equipment improvements by manufacturers and service improvements by the leasing companies.

—T.R.

Detroit: Delivering Fleet Fuel Efficiency

As everyone knows, Detroit has had little to cheer about during the past four stormy years, but through it all, GM, Ford, Chrysler and AMC have always been able to count on fleet sales as a sort of steadying sail; say 14%-to-15% of production. Some do better, some worse; but across the board that percentage is still an excellent bet. Simply because company vehicles—whether cars, vans or light trucks—are *vital* for doing business.

One might even say that the fleet administrator is the closest ally of car manufacturers, since it is he or she that sets the wheels in motion when consumers hold back. As Robert Berke, NAFA's Executive Director, notes: "Remember, too, that when private individuals delay new car purchases, the fleets become a major source of top-quality vehicles on the used car market." For their part, manufacturers are offering fleet administrators more fuel-efficient, yet business-functional, cars than ever before, featuring state-of-the-art front-wheel drive and cost-effective four-cylinder engines. In addition, new lightweight pickups from the "Big 3" have won high marks and are the brightest spots shining through the overcast in Detroit.

Paradoxically, all fleet administrators haven't fallen head over heels for the new front-wheel drive cars, and there's still considerable interest in the larger, traditional rear-wheel drive models. Late introductions (*e.g.* Chevrolet's "Celebrity", which came out in January 1982) were part of the problem. For 1983, these latecomers are loaded for bear. Hopefully, more administrators will decide that this is the year to go with state-of-the-art vehicles, and several surveys indicate they'll do just that. In general (and that's about as specific as anyone gets when discussing what '83 may bring), you can expect to see light trucks from Detroit continuing to trample the imports, while fleet car sales should show slight increases for some models, more significant ones for others. At the very least, overall fleet sales will hold their own. Here is a sampling of Detroit's highlights for 1983. Complete listings and specifications of the car models recommended for fleet use can be found in various guides, available from such companies as Avis, Hertz, Gelco, and PH&H (listed in the Information Section on page 143).

General Motors

Chevrolet sees its Celebrity 4-door, front-wheel drive car as the "fleet vehicle of the '80s," according to George R. Frink, Chevrolet sales director. In the full-size line, Chevrolet offers its Impala and Caprice, but drops the Impala wagon and Caprice Classic 2-door coupe. The Citation front-wheel drive compact, and subcompact Cavalier will continue their strong fleet presence. All Chevrolet cars are carried over from 1982 with detail refinements and trim changes. "The market hasn't been moving towards state-of-the-art cars as fast as we thought it would", says Frink, "but I'm sure this is simply a deviation from the long trend to new-technology cars. The line is in place, and we're optimistic that a lot of people are going to stop sitting on the fence."

Frink sees fleet car sales up slightly, but sales of the S-truck (up 40% in '82) should continue their spectacular climb, as will sales of vans.

Buick had a late 1982 introduction of its mid-size Century, but expects it to ideally complement two other front-wheel drive cars—the Skylark and Skyhawk—for widespread use. All cars

U.S. Auto Fleet Composition.

(all figures in thousands)

Business/Corporate Fleets		
Over 25 cars		
Employee Owned		341
Company Owned		226
Leased (by Lease Type)		
Finance and Management	1,617	
Partial/Full Maintenance	230	
Net/Fixed	139	
Total Leased		1,986
10–24 cars		
Company/Employee Owned	452	
Company leased	282	
Total		734
Individually Leased Cars		1,715
Non-business fleets		2,149
Total, all U.S. fleets		7,151

Note: Estimated number of cars in fleets of four or more in U.S. is 10,436,000.

Source: Automotive Fleet Fact Book (as of 1/1/82)

in the Buick line, with the exception of the new Skyhawk wagon, are carryovers with minor facelifts. According to Tom Stephan, Buick's fleet sales manager, "We see rear-wheel technology still important at Buick—our popular Regal, for example—and are counting heavily on our popularity among drivers who have an opportunity to choose from a selector list, as well as our traditionally high resale value." All told, Buick offers 37 models for 1983, something for every salesperson and a bit of status to boot.

Pontiac expects to be strong on selector lists with its Bonneville—which was downsized last year—6000 and Grand Prix models. Like all GM cars (Corvette excepted), the line is carried over with minor changes for 1983. A V6 4.3-liter diesel is available for the Pontiac 6000 as well as all GM "A" body cars. According to director of fleet sales, Nelson Carney, Pontiac expects to bounce back from its 1982 late introduction with an 18% sales boost based on high hopes for the Bonneville and Pontiac 6000. Says Carney: "With running costs well ahead of depreciation expenses for fleets, we're giving managers the means to attack the problem and help control costs—the fuel-efficient 4-cylinder gas engines or diesels."

Cadillac isn't your run-of-the mill fleet car, nevertheless there is now a Cadillac fleet sales organization, with the obvious objective of getting on fleet selector lists for top management. The DeVille, Eldorado, Seville and Fleetwood Brougham are slightly more refined for '83—that is, virtually indistinguishable from '82. Best hope for fleet action: the compact Cimarron, which boasts an un-Cadillac-like 25 m.p.g. rating. It's expected to be especially attractive for individual/executive leasing.

Oldsmobile is another "most wanted" GM car on fleet selector lists that will have a fleet car downturn in 1982—to approximately 150,000 from 175,000. However, Olds expects to come back strong in 1983 on the strength of its Cutlass Supreme and new Ciera intermediate coupe and sedan. Two new Firenza compact wagons for 1983 combine distinctive styling with 64-cubic feet of cargo volume. Diesel engines are available on the Delta, Toronado, Cutlass and Ciera and models.

Oldsmobile is number one in U.S. diesel production, with more than 250,000 on the road. However, with diesel fuel prices now approaching, or exceeding, those of gasoline, enthusiasm of fleet buyers has waned somewhat. (However, several large fleets such as McDonald's—with 1,400 Olds diesels in service—have reported excellent results.) Says John Wellman, Oldsmobile's national director of fleet sales: "There's still some resistance to the intial cost of diesels, and some may object to the engine noise. We like to think of this as the sound of money saved, however, when you consider that an Olds 88 diesel can go more than 900 miles on a single tankful; Oldsmobile offers 30 models for 1983.

Chrysler Corporation

Led by Chairman Lee "If you can find a better car, *buy it*" Iacocca, the "new" Chrysler Corporation continues to advance on all fronts, including fleet sales. F.G. Hazelroth, Chrysler's director of fleet and leasing, reports that the 1982 model year was ahead 11% in cars, and 6% in trucks through the first seven months and sees no reason why the sales momentum shouldn't continue. Chrysler, which was rated #1 in "responsiveness to customer needs" among all auto manufacturers in a recent *Auto Week* survey, is relying heavily on its successful "K" cars, the Plymouth Reliant and Dodge Aries, which rank first and record respectively in Chrysler fleet sales. Last year's large order from Xerox Corporation for nearly 5,000 Aries and Reliant station wagons (see case history, page 125) gave the firm a great deal of credibility when it was needed.

For 1983, Chrysler introduces four new front-wheel drive cars: The Gran LeBaron, New Yorker, Dodge 600 and 600ES, all with 2.2 liter engines that carry an EPA projection of 25 m.p.g. city/34 highway. All other models in the line, are carryovers with minor modifications.

As to Chrysler's small truck outlook, sales were up 19% for the model year over the first seven months of '82. "We're offering fleet managers a wider selection than they ever had before," says Joseph N. Caddell, director of truck marketing, "and with the smaller trucks they can cut fuel and maintenance costs. For 1983 we'll be the only manufacturer with a turbo diesel truck, which we expect to produce 34 m.p.g. *city!*" A four-wheel drive model will be added to the Ram 50 pickup line, while Dodge vans will remain unchanged.

Following Fleet Administrators Lead

The National Association of Fleet Administrators' (NAFA) recently-released survey backs up what everyone else has been saying: astute fleet managers aren't being deterred from downsizing by the current low gas price levels. Knowing that the gas situation can change overnight, administrators in the survey sample of 127 fleets, operating a total of more than 93,000 vehicles, reported better than 70% of their 1983 model year orders in sub-compacts and compacts.

A "composite" fleet, based on survey responses, consisted of 762 units, with plans to acquire 284 new cars during the model year. The composition of such a fleet, charted at right from 1979 through 1982 shows the *most* dramatic decrease in mid-size and large autos. From all indications, fleet administrators remember their OPEC lessons well, and are determined not to get caught holding gas guzzlers when fuel prices start climbing again.

U.S. Composite Survey Fleet

(1979–1982 Model Years)

	1979	1980	1981	1982
Number of Cars in Fleet	806	794	750	762
Current Composition of Fleet				
Sub-Compact	8	24	15	23
Compact	210	234	248	404
Mid-Size	451	429	420	282
Large	137	103	67	53
Actual Previous Year Acquisitions	316	303	284	274
Planned New Car Acquisitions	336	308	302	284
Sub-Compact	7	31	21	19
Compact	174	154	205	185
Mid-Size	128	108	67	74
Large	27	15	9	6

Ford Motor Company

While most car models presented by U.S. manufacturers for 1983 are carryovers, Ford has taken the changeover route and debuts its new downsized and restyled LTD, replacing the discontinued Granada Line, as well as an all-new downsized Thunderbird.

"We have exciting new products and have taken the leadership position for 1983", says L.P. Polsinelli, fleet leasing and rental sales manager, Ford Division, "so there's no reason why we shouldn't easily top our 1982 fleet sales results. Our Fairmont will continue to be the value leader in '83, especially in the daily rental market, while our Escort is being added to many recommended lists of leasing companies. We see great prospects for the LTD, since it will be competing in two market segments, against cars like Chevrolet's mid-size Celebrity and compact Citation."

Ford's Fairmont will be replaced by the new front-wheel drive 1984 Tempo during the 1983 model year.

Ford pickup trucks will maintain their sales leadership worldwide, according to Polsinelli, bolstered by the hugely successful Ford Ranger lightweight pickup which, for 1983, will have increased payload, as well as diesel and 4-wheel drive availability.

Lincoln/Mercury will downsize its Marquis, like the Ford LTD, to compete in the mid-size category. Further, the Marquis and LTD can be upgraded with a luxury interior package to match up with such cars as the Pontiac Bonneville. The Marquis, as its counterpart, the LTD, has the basic 4-cylinder engine or a choice of two 6-cylinder engines. Popular with fleet managers, the Mercury Zephyr should be even more so when it is reincarnated as the all-new 1984 Mercury Topaz, a five-passenger, fuel-efficient, front-wheel drive vehicle.

American Motors

1983 could have been predicted as a hum-drum, hold-over year for struggling American Motors, considering its standard fleet offerings, the rear-wheel drive Spirit, Concord and unique 4-wheel/2-wheel drive Eagle, which remain unchanged.

But, this is the year of the Renault Alliance, a front-wheel drive, fuel-efficient car that AMC's fleet marketing manager, J. Michael Burke, expects will sweep fleet administrators off their feet. As a percentage of AMC's overall revenues, fleet sales have held their own, moving about 35% of AMC's production, and, after a slight downturn in '82, should move up again in '83 on the appeal of the new Alliance. Considering what the Alliance offers besides a pedigree (it was—as the Renault R.9, it's European sister car—judged "Car of the Year" in 1981) AMC's optimism appears to be justified.

The Alliance features a 1.4 liter engine, for an estimated 37 m.p.g. city/52 highway ratings, electronic fuel injection, integrated electronic ignition, four-wheel fully independent suspension and, most important for the fleet market, space for five passengers in a 100 cu. ft. interior.

Not an import, Burke points out, the Alliance will be built in Kenosha, Wisconsin. AMC/Renault is betting a $20 million ad budget that the public will rally 'round the Alliance and when it does, fleet managers should follow suit by placing the $5,595 car on their selector lists. As they say in Kenosha, *C'est formidable!*

One thing for certain, nobody can ever accuse Detroit of not giving discerning buyers a choice. The only problem, of course, is accurately weighing and interpreting the data, but car makers and leasing firms will be happy to lend a helping hand. In the final analysis, Detroit has met the challenge of the imports and produced the type of cars most needed by fleets.

Because of this, expect the dominance of domestic manufacturers to continue stronger than ever, *ad infinitum.* As Chevrolet's George Frink puts it: "We're finally giving buyers the fuel-efficient alternatives they've been looking for." And it couldn't have happened at a better time. —J.C.

Case in Point: Xerox Fleet

Picture a fleet management office in a very large U.S. corporation with unique travel needs. Now assign that office responsibility for 12,000 vehicles operating out of 100 field service locations nationwide and give it an annual operating budget of $40 million, plus total capital assets of $60 million. Blend in a computerized vehicle management program providing the corporation and its drivers with timely, accurate data on the complete maintenance status of every vehicle. Manage this entire operation, the biggest of its kind in the U.S., with a staff of just six. Oh, and while you're at it, turn this fleet into a *profit center* for the company.

Sound tough? Well, we left out one vital ingredient: Add one hard-driving fleet manager to the mixture, shake well and watch what happens.

That's been the recipe for success in Xerox Corporation's fleet management operation for the past 19 years, during which it has grown from 700 vehicles in 1964 to its present 12,000-vehicle size (the nation's largest) under the direction of fleet manager Ron Pink.

"We have 8,500 station wagons," says Pink, "which are the prime vehicles for our service people. Each tech rep's (Xerox's term for service personnel) load-carrying needs are assigned a point value. This point value is considered together with a person's approved skill level to determine the type of vehicle assigned. Obviously, if a rep is approved to do maintenance on ten different types of Xerox machines he needs a large vehicle to carry his parts and tools."

Administrator Ron Pink: at the helm of Xerox's 12,000 vehicle fleet

That vehicle could be a Chrysler K-Car station wagon, an auto that receives rave reviews from Pink, or one of a fleet of 500 Chevrolet S-10 light trucks, or a new Ford E-150 van. Of course, "cheaper by the dozen" applies to vehicles, and Xerox orders

many, many dozens. According to Pink, the company acquired 4,500 K-Cars in 1981 alone, another 3,500 this year and expects to order some 4,000 of the front-wheel drive wagons.

Most of these vehicles are leased from three major leasing companies. In order of volume, GELCO is number one, followed by Leaseway Transport and Hertz. "We use three companies because it keeps them competitive," Pink says. "Things move so fast in this business that the different leasing companies are always learning from each other's mistakes. We generally enter into a 50-month lease with wholesale financing and re-finance every 90 days.

"We figure in a 2% monthly depreciation rate, meaning that at the end of the 50-month lease term, the car has fully depreciated. We try to follow a 24-month standard replacement timetable for the fleet, but if there's a hole in the market that we can fill with vehicles that for some reason are unsatisfactory or maintenance-intensive, we do it," Pink confides.

Xerox's sterling reputation for well-maintained vehicles is known throughout the wholesale automotive market. But although wholesalers are important, they really aren't the prime market for Xerox's used vehicles. In fact, of the used 1980 cars, trucks and vans recently sold by Xerox, fully 78.5% of the vans were purchased by Xerox employees, along with 58.6% of the cars. "And that's a lot of cash flow," says Pink.

The Xerox fleet resale system is so effective that Pink is able to claim an average $302 profit on each vehicle, when the resale price is compared to the depreciated book value. Does that make the Xerox fleet department a profit center for the company?

"Absolutely," says Pink, pointing to the financial opportunities offered by the auto makers' rebate offers as an additional income source. "Because in 1982 alone, rebates brought in $3.2 million for Xerox! I'd love to be on commission," he smiles.

Proper corporate positioning is one of Pink's key success techniques. "You have to be in the right spot in the company, near the financial department and *not* affiliated with the travel department. Because senior management at Xerox recognizes the value of its fleet as a marketing/service tool, I even have access to the president of our group, if need be. Senior management has to know what its fleet department is doing and support it all the way."

The VATS (Vehicle Asset Tracking System) is central to the fleet management success at Xerox. VATS is a management system using a computer program together with a system of hands-on budgeting, maintenance and safety checks to manage data on the fleet. "It's very dependable, very sophisticated, and very flexible," Pink says. "VATS tracks performance of the leasing companies. It gives up-front validation of data. It simply will not accept bad data. VATS is designed to handle variables such as unexpected rises in fuel prices, giving us a forecast of just what that sort of thing can do to us. It gives excellent awareness of after sales value of the vehicles, all expenses, data on what vehicles are on order and what's on hand. VATS can take a statistical model of what we projected as annual average vehicle use and compare that with reality."

If a single term could describe the Xerox vehicle selection philosophy for the 1980s, it's fuel efficiency. Xerox saves $6.80 per month for every one-mile difference in a given vehicle's mileage, which comes to quite a piece of change when the economies of scale are examined.

Ultimately, good fleet management comes down to the savvy and know-how of the manager and a good supporting staff, plus a well-maintained cast of thousands, both vehicles and drivers. It also requires a commitment to the intelligent management of a valuable corporate asset. Like many of Xerox's products, it's a concept well worth copying. —B.W.

Projected Ownership and Operating Costs for Selected 1983 Model Cars[1]

		Specifications								Annual Cost For 20,000 Miles[3]			
			Front Seat										
Make	Model	Doors	Head Room	Leg Room	Luggage Capacity	Weight	Overall Length	Drive Unit	Displacement	Variable	Fixed	Total	Annual Fleet Cost 100 Units[3]
Buick	Electra	4	39.5	42.2	20.8	3846	221.3	Rear	4.1	$2010	$3892	$5902	$590,200
Ford	T-Bird	2	37.7	42.0	14.6	3013	197.6	Rear	3.8	1790	3383	5173	517,300
Chevrolet	Impala	4	39.2	42.2	20.9	3502	212.1	Rear	3.8	1830	3100	4930	493,000
Chevrolet	Celebrity	4	38.6	42.1	16.2	2733	188.3	Front	2.5	1590	3229	4819	481,900
Chev Diesel[4]	Celebrity	4	38.6	42.1	16.2	2900	188.3	Front	4.3	1280	3488	4768	476,800
Dodge	Aries	4	38.6	42.2	15.0	2332	176.0	Front	2.2	1450	2805	4255	425,500
Toyota	Corolla TE	4	37.8	42.1	11.0	2310	166.3	Rear	1.8	1320	2733	4053	400,530
Ford	Escort	4	38.1	41.5	16.8	2078	163.9	Front	1.6	1350	2643	3993	399,930
Datsun	Sentra[2]	4	38.3	43.1	11.3	1850	167.3	Front	1.5	1190	2534	3724	372,400
VW	Rabbit[2]	4	37.2	39.7	14.0	1918	155.3	Front	1.7	1040	2586	3626	362,600

NOTES:
1) All cars similarly equipped (except where noted below) including AT, PS, PDB, AC, tinted glass, AM radio, wheel covers, body side moldings and remote left mirror
2) No power steering
3) Cost includes variable expenses (gas @ $1.55 per gallon, diesel @ $1.45 per gallon, oil, maintenance and tires), fixed expenses (insurance, depreciation, financing, taxes and license) and are based on a 3-year/60,000 mile retention cycle
4) New 4.3-liter, V6 diesel available as option

Source: Runzheimer and Co.

Van Pooling Still Growing

In 1982, the U.S. van pool fleet climbed to an all-time high of approximately 18,000 vans, a 2,000 unit jump over the year before. And more than 200,000 commuters now make the daily trek to work as part of a van pool, up from 160,000 in 1981.

These numbers translate into 125,000 fewer cars on the road every day, according to Ed Marks, executive director of the National Association of Van Pool Operators (NAVPO), a professional van pool organization that lists over 600 member companies.

NAVPO figures indicate that the average van pooler saves about $150 annually over the cost of driving alone to work. "Most people think of automobile operating costs in terms of gas only," says Marks, "but if you stop to figure in interest, insurance and other costs, the total runs quite high. In fact, a Hertz study places vehicle operating costs at between 35¢ and 55¢ a mile; so when you compare the low cost of a van pool membership, employees have in effect given themselves 10%-to-15% raises."

Most van pool operations function in similar fashion: The company buys or leases the vans and arranges for their maintenance. Employees who live near one another and who decide to "sign up" for pooling are assigned to specific vehicles.

Among these riders, a volunteer driver is selected and approved by the company. In addition to picking up assigned riders before and after work, drivers are responsible for keeping the van's maintenance schedule. In return, drivers are generally given a mileage allowance for personal and maintenance trips, but charged a mileage fee when personal use exceeds the allowance. Riders are charged a share of the van's fixed and operating costs, often paid through payroll deductions.

Vans Prove Out for Prudential

With 477 vans in daily service, Prudential Insurance Company qualifies as the nation's largest private van pool operator transporting 5,500 riders daily and rolling up more than 5,000,000 miles annually. Prudential operates a mixed fleet of Chrysler, Ford and Chevrolet vans, charging employees a rate per mile, based on van depreciation, plus fuel and maintenance expenses.

According to Prudential's van pool program manager Bob Buss, the company started its van pool program as a direct response to the energy crisis and now operates van pools from 33 locations in 13 states.

One unexpected benefit of van pooling has been a drop in employee absenteeism at Prudential. Joann Pastewski of Prudential's van pooling office speculates that it might be due to each rider's responsibility to the rest of the pool. "While an employee calling in sick must report to one other member of his or her van pool, that employee still has to pay for the trip to work. And, obviously, employees have to be at the appointed pickup spot on time or miss a day's work, so there's a definite incentive to be punctual," says Pastewski. (Van pooling might be thought of as excellent "insurance" for Prudential!)

The Outside Management Route

Ironically, the Federal government's Department of Energy encourages van pooling, but Federal offices are barred by Federal law from setting up their own pools. State agencies are sometimes barred as well. At the state level, these restrictions can be circumvented by the establishment of employee associations, which run the vans. However, van pool organizers at the Federal level—or any organization, for that matter—can call on companies such as Van Pool Services, Inc., a Chrysler subsidiary, to totally manage their van pool programs.

Van Pool Services, incidentally, is an offshoot of Chrysler's own 160-van operation, that started in 1975 and replaced nearly 1,300 employee vehicles—saving over 860,000 gallons of gas annually. So successful was Chrysler's system that other companies were soon knocking on the auto maker's door, seeking advice on van pooling.

Van Pool Services was formed by Chrysler in response to this need, and now serves as a nationwide third party consultant/manager to government offices and corporations. Typically, a Van Pool Services project manager is assigned to each van pool to provide hands-on supervision. The project manager matches van pool applicants by work hours and home location, and handles such problems as insurance, maintenance and replacement vans.

Once a van pool is in operation, the project manager performs the needed administrative services, computing and collecting fares, as well as preparing the accounting statements for the subscribers. In short, all the details of the day-to-day van operation are taken care of. Vehicle operating costs are shared by the riders on a break-even basis, so the only costs to a Van Pool Services client are project manager, administrative and overhead expenses.

Today, Van Pool Services administers 19 van pool operations for government and industry, with approximately 1,000 vans transporting over 10,000 commuters daily. The firm's president, T.J. McDonald points out that *all* van pool programs have been extended—concrete indication of their success.

But whether the course is do-it-yourself or outside management, van pooling is a proven way to keep cars off the road and commuting employees happy—gas prices notwithstanding. It's well worth taking a closer look. —B.W.

Dodge's "Ram" wagon is a van pool favorite

Imports Eye Fleet Market

"We haven't even scratched the surface of the fleet market in the U.S.," says Al Hagen, Toyota's U.S. vice-president of sales administration. His comment sums up the mood of the import car manufacturers trying to break into the American fleet market.

Self-imposed import restrictions have limited the role of Japanese cars in American fleets. "We'd like to sell fleet operators on models we can support with volume," says a spokesman for Mazda. "At the moment we can't, at least not in light of the current import restrictions."

No one knows just when the voluntary import quotas are going to be lifted. Hagen feels sure the quotas will be a thing of the past by 1985 at the latest. "It's been said that if a product is hard to get, Americans will want it. So maybe the controls have helped keep our retail sales up," he says. Hagen forecasts Toyota sales of 850,000 vehicles a year after the lifting of the quotas, with 100,000 of those going to leasing companies and fleets.

While its products undergo a temporary identity crisis (some are prefixed "Nissan", some still carry the "Datsun"; ultimately all will be "Nissan"), a Nissan spokesman reports that fleet sales for the 1983 model year will be "about the same as 1982", approximately 10% of U.S. consumer sales.

Nissan thinks it could move more cars into fleets, if dealer allocations didn't come first.

Leading fleet sales for Nissan should be a pair of 4-cylinder, front wheel drive economy cars: the sub-compact Nissan Sentra (with the best fuel economy of all: EPA 43 city/58 highway), the compact Nissan Stanza, and 6-cylinder rear wheel drive Datsun Maxima, recommended as an "executive vehicle."

While much attention has been focused on the frustrations of the Japanese importers, their European counterparts have been making quiet inroads into the lucrative U.S. fleets. One of the most successful manufacturers contests the term "import." Bill Fields, Volkswagen of America's fleet sales operations manager, says "Our Rabbit is assembled here in the U.S. with 72% of the parts made in this country."

In 1981, VW of America succeeded in selling 12,000 vehicles to U.S. fleets, with the Rabbit sedan and light truck the best sellers. Fields describes the average Rabbit fleet as numbering around 100 vehicles serving a company's route delivery system or service representative needs.

Volvo is an auto maker whose products are not generally considered fleet-compatible cars. Yet Tom Stelly, Volvo's American fleet sales manager, feels the Swedish company is "doing very, very well."

The Volvo fleet sales effort in the U.S. is also comparatively new. "Since 1980 we've been involved in a couple of different areas so far as fleet sales are concerned," Stelly says. "We supply a reasonable number of cars to our dealers over and above their normal allocation. We make them available to dealers so they can get into the fleet business without having to pull cars out of regular sales. From the dealer viewpoint, I feel that the fleet idea is a way to avoid the cyclical fluctuations of the market."

Volvo has earmarked between 4,000 to 5,000 cars for U.S. fleet sales and expects no trouble selling them. Preferred vehicles are the Volvo DL series of four-door sedan.

Peugeot, a respected name in Europe, has made slow but steady progress in the U.S. Last year the French manufacturer sold a total of 17,000 cars here. Strong sellers are the Peugeot 505 four-door sedan and the 504 station wagon, with the turbo-diesel powerplant now the most popular engine choice.

Peugeot offers its network of 335 dealers cash incentives for fleet sales as one method of drawing attention to the fleet potentials of the car. Another way is to show off the product on the streets of America's larger cities. Peugeot diesel taxis have become common sights on the streets of New York, with more than 900 in service.

It's a challenge in reverse for the import sales force. Instead of selling a vast number of buyers on a particular brand car, the goal is to convince a relatively small number. Although the number of customers in the fleet market may be small, their buying power is enormous. And, if the imports do their homework and stage a persistent offensive, they someday could gain a significant share of the American fleet market.

"MORE TIME"

"You'll have more time for your business if you get out of the fleet car business" Bill Dodds, President, Fleet Leasing of America. "Whether your business is computers or condominiums, you can gain several productive hours each month if you quit your motor pool responsibilities.

"If we're handling your fleet cars, you spend a minimal amount of time outlining your requirements, then we take it from there. We professionally manage all aspects of your fleet's operation. When your people have problems or questions, they call us. not you.

"Ask for our new folder on leasing terminology, 'The Leasing Lexicon'."

FLEET LEASING OF AMERICA, Inc., 24600 Plymouth Road, Detroit, MI 48239, (313) 537-8750

Farm Out Fleet Problems?

At many corporations, a company-owned and managed fleet is becoming an endangered—or even extinct—species because the operating environment has become so much more hostile. The recession forced reductions in fleet size, and at the same time, fixed and operating expenses for fleets have continued to spiral upward.

Many large corporations got the message early and opted for outside leasing/management. But converting from company ownership to an outside leasing/management arrangement can be a too-obvious solution.

The main advantages to company vehicle ownership are total corporate control over fleet operations, as well as purchasing costs and financing arrangements, which could cost less than the rates charged by an outside leasing/management company. Interestingly, major leasing companies that are also heavy in the daily rental business, such as Hertz and Avis, have come up with a way to dispose of some of their vehicles that can save fleet administrators a great deal of money.

As Avis' director of used car sales, Robert Intelisano explains: "We've already taken depreciation, so we can sell a group of cars at a rock-bottom price, the fleet administrator knows our cars are well maintained for the year or so that we keep them, and he gets a 12-month, 12,000 mile limited warranty on the power-train. He really can't go wrong. If there's a problem, we have convenient facilities all around the country."

An obvious disadvantage to company ownership (barring a cash-rich situation) is the large investment required. In addition, the company has to assemble a staff of experts to manage and control all aspects of the fleet.

On the leasing side, the well-known advantages include the release of capital, more efficient acquisition and disposal of vehicles—due to the leasing company's greater leverage and the availability of lessor personnel, who have proven expertise in the complexities of fleet management. With leasing, there is a loss of control over new and used car price negotiations, there may be more paperwork at the lessee's end, and the lessee will still have to maintain administrative personnel to interface with the leasing company.

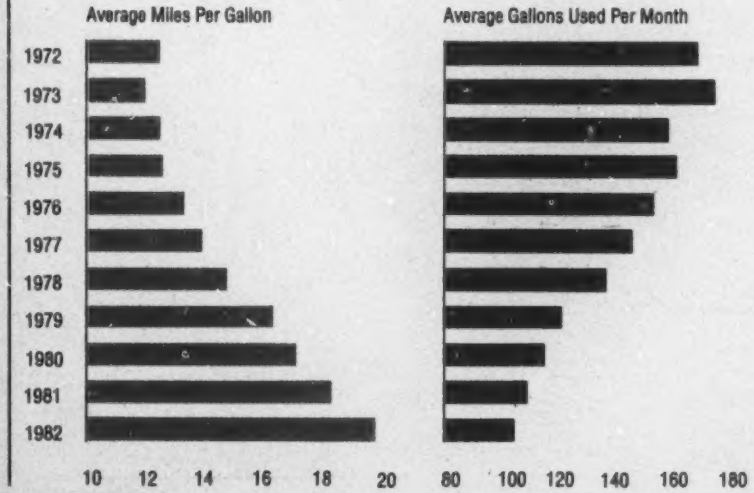
If a financial analysis determines that outside leasing is, indeed, a viable option, the next consideration is the type of lease. Basically there are two primary types: open-end and closed-end. In an open-end (finance) lease, the lessee is charged the actual costs, plus a fixed fee, but the lessee assumes responsibility for depreciation, maintenance costs and disposal.

In a typical closed-end lease, the lessee is charged actual costs, plus a fixed fee as well as a flexible amount based on resale market conditions, since disposal responsibility is with the lessor.

In the closed-end lease, the term is always specified—usually 24-to-26 months—and since almost all responsibilities are retained by the lessor, it's frequently referred to as a "walk-away" lease. As you'd expect, the increased burden on the lessor means that the cost of a closed-end lease is always

Ten Years After: Downsizing Pays Off.

While new car prices galloped ahead of the inflation rate, fleet administrators managed to reduce gasoline consumption dramatically during the past decade; primarily through fleet downsizing and—thanks to Detroit's engineering—their ability to select vehicles with more fuel-efficient engines. As this recent survey by the National Association of Fleet Administrators shows, the average miles-per-gallon figure for fleet vehicles has risen by nearly 60% since 1973, while at the same time the average monthly number of gallons consumed per vehicle is down by more than 38%. Both of these trends are seen continuing strong.



VAN POOL SERVICES INC.

RIDESHARING SYSTEMS MANAGEMENT

VPSI offers on-site management to administer and provide "van-transit" services to your employees or constituents and eliminates the need for capital equipment investment.

Car Pool — Systems Management
Van Pool — 3rd Party Provider
Jitney — Community Transit Systems
Sr. Citizen Transp. — Program Managers
Handicap Transp. — Service Providers

INNOVATIVE TRANSPORTATION SERVICES

VAN POOL SERVICES INC.
P.O. BOX 159
DETROIT, MICHIGAN 48288
313/497-0800

higher than that of an open-end lease.

The larger leasing/management companies, such as Avis, Hertz, Wheels, Geico, PH&H and Leaseway, offer menus of services that include continual monitoring of car and truck manufacturers to obtain the detailed timely data necessary for informed vehicle selection. In some instances, these lessors also maintain direct computer links with Detroit to further speed and simplify new vehicle acquisitions.

The scope of services is virtually limitless and innovations appear regularly. For instance, Hertz Car Leasing has recently broken new ground by introducing a unique preventive maintenance program for its clients.

Outside management firms will also provide assistance at the day-to-day operating level, processing everything from licenses and inspection, to usage fees and parking fines. They'll assist with manufacturer recalls and warranty recovery and even maintain a computerized record for each vehicle, offering clients instant access to their data, via a 24-hour "hot-line." Key point: Most claim they can manage your fleet cheaper and more efficiently than you can, and they're willing to prove it.

A prime factor when considering a leasing/management service is data management—not only for day-to-day decisions, but also for the benefit of the client's financial officers who are, more than ever, directly involved in fleet matters, and require highly sophisticated, accurate data.

Many computer-supported services are available whether or not the company is a leasing customer. For an outsider, the leasing firm will generally charge a fee based on a percentage of the capitalized cost of the fleet under management. (With percentages varying among leasing firms, it pays to shop around.)

In summary, the efficient, cost-effective operation of a corporate fleet (cars *and* trucks) has become more and more a "business" unto itself, and it's not surprising that an increasing number of companies are opting to put their fleets—and problems—into the hands of those who specialize in the fleet business. And, from all appearances, the trend to outside "hiring" of leasing/management firms by companies of all sizes will continue unabated. —T.R.

U.S. Tobacco's Fleet 'Bandits' Are Sales Tool

Way down South in stock car racing heaven, good ol' boys like their bourbon neat, their beer cold and their cars hot. The latter "like" is one good reason why U.S. Tobacco operates a fleet of 300 Buick Regals, specially painted and decal-bedazzled to resemble the "Skoal Bandit" stock car.

Fact is, the "Bandits" of U.S. Tobacco's fleet are driven by salesmen and division managers in key marketing areas. But their inspiration comes from "Skoal Bandit" #33, a real stock car currently racing on the NASCAR circuit. And it's more than holding its own. Sponsored by U.S. Tobacco, along with movie stuntman/director Hal Needham and actor Burt Reynolds, it took third place at the Michigan Grand Nationals.

"We didn't look at the original "Bandit" as a money maker", says Ray Scott, U.S. Tobacco's vice president for sales promotion, "because running a single race car like #33 just doesn't make a lasting impression on the public. The fans go home from the races and forget all about it. But if they see the car off the track, in the form of the "Bandits" driven by our sales people, it helps keep our product visibility high. In fact, our demographic studies show that typical *Skoal* customers are avid racing fans, and so far their reaction to our program has been fantastic!" (For the uninitiated, *Skoal* is a popular brand—especially in the South—of what U.S. Tobacco marketeers like to call "smokeless tobacco"—polite language for good old chewing tobacco.)

The simulated "Skoal Bandits" were the idea of U.S. Tobacco chairman L.F. Bantle, who conceived the concept with a little help from his friends in senior management. The fleet "Bandits" are stock Buick Regals, equipped for the most part with 6-cylinder engines, AM/FM radios, heavy-duty suspensions, tinted glass, air conditioners and—duplicating #33—white sidewall tires and twin, remote-controlled sport mirrors. "Yet including the custom 'Bandit' paint job, which Buick did at the factory, we only paid $75 over dealer cost for each vehicle", says fleet manager, Tom Meldrum.

Ray Scott notes that the "Bandits" are owned by U.S. Tobacco, "but we obviously don't want to resell any as 'Bandits', for how would it look for us if someone bought one and later got into trouble?" U.S. Tobacco relies on the services of Gambles C&M Leasing of Minneapolis to purchase vehicles on their behalf, arrange for delivery (dropshipping) to local sales representatives, and dispose of the vehicles after they're stripped of their stock car racing livery. (*Editor's Note:* Most leasing firms provide *à la carte* management service, even though, as in U.S. Tobacco's case, title to the vehicles may remain with the client company.)

Gambles C&M also handles all maintenance matters and related paperwork. In addition to the flashy "Skoal Bandits," U.S. Tobacco has a number of more sedate Ford and Chevrolet vehicles, including vans, trucks and cars. In its 525-vehicle fleet, several Cadil-

U.S. Tobacco's fleet of 'Skoal Bandits' look like they belong on a race track, but they really are company cars

lacs are included for use by senior executives.

After a year-and-a-half of the "Bandit" program, it seems that the only—albeit minor—problem has been for lawmen to succumb to what is called the "Smokey and the Bandit Syndrome." Explains Scott, "Some patrolmen see a car like our "Bandit" and immediately think the driver is ready to show off or do something illegal. Consequently, our salespeople have to be *very* careful."

But, careful to hold at a steady 55 mph, U.S. Tobacco has learned that the fleet car—in the "Bandit's" case—can help pay its way by extending a brand's image in key sales areas. (Unfortunately, we have no reliable data as to the "Bandit's" appeal as an off-duty car for a salesman, either as a swinging bachelor or stable family man!) —B.W.

Gerber Forsakes Leasing For Fleet Ownership

When it comes to aggressive fleet management, Gerber Products doesn't kid around. The multinational baby food processor, bucking the trend to leasing, has opted for ownership of its 1,000-vehicle fleet. According to fleet supervisor Dan Rozycki, Gerber has neatly by-passed the lessors.

Says Rozycki, "We figure we can do the same work of a leasing company, just as efficiently, and save money at the same time. We do all the negotiating when we buy or sell vehicles and feel we can get more money for our cars at disposal time than a leasing company, who'll just run the cars through an auction or wholesaler. We trade directly with the dealers who originally sold us the cars, and they've been paying what I consider to be excellent prices for our used vehicles."

(*Editor's Note:* This is not to say that Gerber will *never* go the leasing route, since historically many companies have switched from ownership to leasing or vice versa, depending on the financial situation at the time. In fact, companies even have elected to drop leasing and owned vehicles in favor of driver-owned, reimbursed fleets. What's right at the time is apparently the rule to follow.)

About Gerber's used car prices: "We *always* do better than the book depreciated resale value for a particular car," emphasizes Rozycki, "and since we dispose of most of our vehicles after just a year, many of them are still under maintenance warranties."

With Gerber owning, managing and marketing its vehicles, one might expect to find a large fleet management office. Not so. Gerber does it all with a staff of six, under the direction of fleet manager Donald H. Allen, located at the firm's Fremont, Michigan, headquarters. Part of the reason for the relatively small fleet management group lies in Gerber's computer system.

All salespeople driving Gerber cars fill out a weekly expense report that includes all car costs, mileage and so forth," says Rozycki, "which becomes input for our computer. The net effect is that we can keep track of what each salesman has been doing with his assigned vehicle. Our salespeople are totally responsible for the maintenance needs of their cars, and if they haven't been keeping up, the computer quickly lets fleet management know, so corrective action can be taken."

The Gerber Products Co.'s salesforce can choose among a wide assortment of vehicles from a "selector list" provided by fleet management. For example, the 1982 selection included Chevrolet Citations, Buick Skylarks, Ford Granadas and the Pontiac Phoenix. Gerber's district managers are treated to a slightly more upscale vehicle in the Buick Regal. Gerber's 1983 selector list will include Chevrolet Celebrities and the new Ford LTD's. (Presumably, fleet management's standing order for drivers to "baby" their vehicles will continue in force, to assure Gerber of maximum residual value for each car at disposal time in 1984.) —B.W.

Top Ten U.S. Business/Corporate Fleets

Ranking includes only business/corporate fleets with centralized fleet control and comprises cars, light trucks and vans. Utilities and daily rental companies are not included.

1982 Rank	Company	Lessor(s)	Owns Vehicles	Number of Cars	Number of Trucks/Vans	Total
1	Xerox Corporation Rochester, N.Y.	Geico, Hertz Leaseway	n/a	9,500	2,500	12,000
2	Frito-Lay Dallas, TX	n/a	Yes	420	10,000	10,420
3	Tupperware Orlando, FL	In-house	n/a	9,200	—	9,200
4	Honeywell Minneapolis, MN	Geico PH & H	n/a	6,768	2,248	9,016
5	Digital Equipment Corporation Maynard, MA	PH & H Geico	Yes	7,740	755	8,495
6	3M Company St. Paul, MN	n/a	Yes	5,208	2,183	7,391
7 (tie)	Dow Chemical USA Midland, MI	McCullagh Geico	n/a	4,200	2,800	7,000
7 (tie)	Standard Oil Company (Indiana) Chicago, IL	n/a	Yes	3,500	3,500	7,000
8	Westinghouse Pittsburgh, PA	In-house	n/a	4,600	1,900	6,500
9	State Farm Insurance Bloomington, IL	n/a	Yes	6,129	125	6,344
10	Tenneco, Inc. Houston, TX	Fleet Services	Yes	3,132	2,909	6,041

Source: Automotive Fleet (a/o 5/82)

Extended Service Contracts Gain as Options

An intangible option gaining ground is the extended service contract, such as Chrysler's 5/50 Protection Plan or Ford's Extended Service Plan (ESP). Such plans extend the protection of manufacturer's original limited warranties, and cover repair/replacement of specified major components—less a deductible amount—for a flat fee. For example, Ford offers ESP programs for three years/36,000 miles and five years/50,000 miles, as well as a Powertrain Plan for five years/50,000 miles. Ford's plans, with rates starting at under $200 for a Ford Escort, include transportation reimbursement and towing. All manufacturer's plans are transferrable for a small fee.

According to R.J. Leicht, marketing manager for Ford's ESP program, fleet administrators appreciate the predictability. The one-time cost for three years' worth of repairs is established up-front, which allows more precise expense projections and budgeting. Says Leicht, "The fleet administrator is really paying for future repairs with today's dollars, so there's no concern about what the actual cost of repairs will be three or four years from now. Also, since the ESP plan is transferrable, you'll somewhat offset the plan's cost at disposal time by the value it adds to the vehicle."

A key advantage to service contracts is that repair quality levels are generally constant, since work will be performed at the manufacturers' dealers. On the administrative side, a protection program reduces paperwork and provides accurate repair data for the fleet manager. In summary, considering the rocketing costs of auto repairs, extended protection plans, although intangible accessories, can produce *very* tangible savings and, at selection time deserve consideration, right up there with tilt wheel and cruise control.

Information, Please

1983 Automotive/Truck Guide Books: Facts, figures and fleet recommendations, available from:

- Avis Car Leasing, PO Box 117, Carle Place, NY 11514. Attn: Larry Mazur, marketing director
- Avis Used Car Fleet Sales, 900 Old Country Road, Garden City, NY 11530. Attn: Robert Intelisano, director of marketing
- Gelco Fleet & Management Services, Three Gelco Drive, Eden Prairie, MN 55344
- Hertz Car Leasing, 1633 Broadway, New York, NY 10019
- Peterson, Howell & Heather, PO Box 2174, Baltimore, MD 21203

Runzheimer Reports, from: Publications Division, 555 Skokie Blvd., Northbrook, IL, 60062.

- *Runzheimer Reports on Transportation* —Monthly newsletter on car/fleet management ($95/yr).
- *Runzheimer on Cars and Living Costs* —Informative and *free* quarterly newsletter on items of interest to business managers.
- *Survey and Analysis of Business Car Policies and Costs*—Complete 1981/82 report; $190.
- *Runzheimer Reports on Travel Management*—Invaluable in controlling rising travel costs; monthly newsletter, ($165/yr).

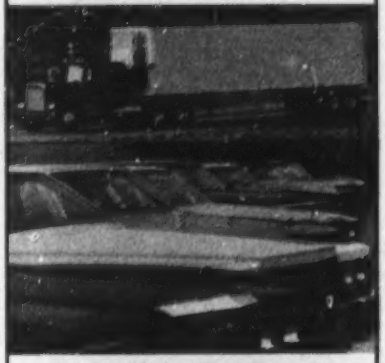
NAFA Fleet Manager's Manual. Everything one needs to know about running a corporate fleet, and more; includes sections on acquisition, expense control, maintenance and safety. $85 per copy with money-back guarantee, from: National Association of Fleet Administrators 295 Madison Avenue, New York, NY 10017, (212) 689-3200.

Van Pooling Information

- Chrysler Products, c/o *Van Pool Services, Inc.*, PO Box 1057, Detroit, MI 48288, *Attn:* Thomas J. McDonald
- Ford Products, c/o *Ford Van Pooling Headquarters*, PO Box 998, Dearborn, MI 48121, *Attn:* Mr. Wm. R. McCreedy

Credits: This Focus report, "Fleet Management Update/83", was prepared for Dun's Business Month by *The Advertorial Advantage*, a New York firm specializing in magazine supplements. Editor: John F. Carroll; Writers: Thomas A. Riley, Bill Wagstaff; Design: Kellner & Osburn, Incorporated.

The Associates...



"A Driving Force in Vehicle Leasing"

Joe Garagiola, for The Associates

The Associates are car and truck leasing specialists. With over 60 years of experience, we can help you gain maximum benefit from your fleet, regardless of size. We work with you to develop the ideal, cost-efficient leasing program. If you're planning to lease cars, trucks or vans, call The Associates. We're specialists in helping you get the most for your leasing dollar.

The Associates Vehicle Leasing

General Office (Auto Leasing): 2550 East Golf Rd. Rolling Meadows, IL 60008 (312) 364-3700 Call toll-free (outside Illinois): 800-323-0599

General Office (Truck Leasing): 55 E. Monroe St. Chicago, IL 60603 (312) 781-5800 Call toll-free (outside Illinois): 800-621-5226

Regional offices in Atlanta, New Jersey, Chicago, Dallas and Los Angeles.

TO: Associates Leasing, Inc.
2550 East Golf Road, Suite 206
Rolling Meadows, IL 60008

Please send me additional information about leasing: ☐ Trucks ☐ Cars

Name Title

Company

Address

City State Zip (Area Code) Phone

The Leasing Force of the 80's

appreciation in the value of hard assets will fall drastically and stocks and bonds will outperform them.

In this new environment, Palmer advises investors to start moving their funds out of money-market short-term securities and holdings of precious metals, collectibles and real estate being held for appreciation. He believes that property should be used to live in and enjoy, or not at all. And even with prices for gold and diamonds down dramatically from their 1980 highs, he considers them far from bargains compared with stocks and bonds.

Assuming that inflation settles at 6%-to-7%, Palmer likes the real rewards from deep-discount tax-exempt bonds, which offer untaxed income possibly above the inflation rate and a potential for big capital gains from continuing declines in interest rates. He foresees a bond rally that might last for a number of years, so investors shouldn't be in a hurry to take profits.

Palmer likes double-A rated issues, either general obligation or revenue

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(8/31/82) Recent Price or Yield	Value of $10,000 If Invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$15.38/share	$11,243	$10,312
per cent change		+12.4%	+3.1%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$95.00	$10,781	$11,610
ACCUMULATED INCOME		$ 111	$ 1,461
TOTAL		$10,892	$13,271
per cent change		+8.9%	+32.7%
Money Market Fund	10.45%	$10,087	$11,097
per cent change		+.9%	+11%
Gold (Krugerrands)	$427/oz.	$11,913	$ 9,522
per cent change		+19.1%	−4.8%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$89,200	$71,100	$70,350
per cent change		−2.7%	−1.8%
New House	$91,400	$98,400	$98,100
per cent change		−7.1%	−6.8%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

PARIS! THE RIVIERA! FRANCE ADDS SO MUCH TO MEETINGS. AND ONLY AIR FRANCE ADDS LA DIFFÉRENCE.

If you plan your company's incentive programs, conventions and sales meetings, talk to our Special Events Department.

We'll help you come up with accommodations and flights to fit your budget, plus features you probably thought you couldn't afford.

Discover La Différence for your conference. Write or call William Sparks, Manager, Special Events, Air France, 1350 Avenue of the Americas, New York, N.Y. 10019. (212) 841-7437.

AIR FRANCE
FOR MEETINGS & INCENTIVES